

Public Private Dialogue in Malawi

by

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1- Background and Context

Malawi Confederation of Chambers of Commerce and Industry (MCCCI) has existed since 1892. However, before 1993, it was not easy to conduct meaningful structured Public Private Dialogue (PPD) in Malawi, despite the existence of MCCCI principally because a single party political system did not provide the right environment for dialogue. Malawi became a pluralist multiparty state in 1994.

Efforts to introduce public private dialogue started in 1994 when the private sector through MCCCI mooted the idea of a Business Council, based on models practised in Botswana and Malaysia. Protracted discussions followed this proposal, and ultimately it was rejected by government on account of the co-chairmanship between the President and a Senior private sector player as was proposed. According to government no one would be at par with the president. Consequently several alternatives were set up by government, including the following:

1. A Committee chaired by a Cabinet Minister that was charged with resuscitating laws, regulations, and policies that had previously failed;
2. National Economic Council headed by a Director General, a Cabinet level position, but chaired by private sector, with private sector and government representatives, and charged with the responsibility of developing new economic policy proposals and scrutinizing proposed ones before they were submitted to Cabinet committees;
3. Numerous other Committees within Ministries of Industry and Trade, Economic Planning and Development, Finance, whose main mandates were to consult the private sector on their private sector related programmes.

These structures did not live up to the expectations and therefore in 2000 a group called **National Action Group (NAG)** was born following a series of very poor economic performance. Initially this grouping comprised senior private sector executives, representatives of the donor community, and heads of government agencies that serve the business community, but later included some ministers too.

NAG made some progress in bringing a number of critical issues up for discussion with decision-makers, which had not been achieved before. Its achievements included; Influencing change in a number of business related laws, bringing issues related to poor governance and its consequences on the economy and the private sector; Influencing, to some extent, the national budget content; managing to ensure presence of cabinet ministers at all meetings; etc. One of the key strategies that succeeded government's Malawi Poverty Reduction Strategy was the Economic Growth Strategy based on issues that came out the National Action Group. In 2004, the President recognized this Strategy as the main strategy for government before incorporating general development issues and calling it Malawi Growth and Development Strategy.

NAG challenges included lack of structured membership base making the choice of who to attend arbitrary and sometimes questionable. Its sustainability was also in question especially with the funding from DfID being limited to a period and the fact that the consulting firm that was hosting it would not host such a secretariat after the expiry of the financed period.

Following these observations, in 2007 an agreement was entered into between government and private sector to continue with the dialogue process but under a new structure with capacity to sustain the dialogue called the **Public Private Dialogue (PPD) Forum**. MCCI was designated as the secretariat because of its membership structure and therefore credibility.

Unlike in the case of NAG, the PPD Forum's membership was extended to a few major industry players (three) because of their importance to the economy, and most importantly, to chairpersons of sectoral business associations. From government, cabinet ministers in charge of matters on the agenda are called to attend. The PPD meetings are held every quarter and co-convened (as opposed to co-chaired) by a senior private sector official elected by the private sector and the Minister of Industry and Trade. The private sector co-convenor serves for a period of two years upon which a new co-convenor is elected.

The secretariat, while hosted by MCCI, works very closely with Ministry of Industry and Trade officials who coordinate the input from the government side and disseminate decisions of the Forum to the same.

The activities of the Public Private Dialogue Forum were initially funded by the World Bank through a project called Business Environment Strengthening and Technical Assistance Project (BESTAP) for a period of five (5) years, which placed two officers at MCCI's offices. The project also aimed at building capacity of MCCI to continue hosting the Forum after expiry of the funding.

Since the expiry of the period, MCCI established a full permanent department that organizes the forum.

2- Partnership, Structure and Processes

MCCCI is the secretariat of the Forum and works hand in hand with Ministry of Industry and Trade. The secretariat is responsible for planning and convening the forum. PPD inputs are mobilised from sector associations by the secretariat whereas government also raises issues on which it wants private sector to act.

All Ministers are members of the forum and their attendance depends upon the issues that are on the agenda. Development partners also participate in the meetings as observers and at times offer technical inputs and financing for some of the actions agreed at the forum.

The main funding areas relate to convening the forum and each participant funds himself. The World Bank Country office, as a neutral development partner, funds venue costs which also includes snacks and lunch.

Some of the major associations and professional societies represented at the PPD Forum are: Institute of Chartered Accountants in Malawi (ICAM), Employers Consultative Association of Malawi (ECAM), the Road Transport Operators Association (RTOA), Bankers Association of Malawi (BAM), Farmers Union of Farmers (FUM), Economics Association of Malawi (ECAMA), National Association of Small and Medium Enterprises (NASME), and National Smallholder Farmers Association of Malawi (NASFAM).

3- Results so far

Results of PPD initiatives have been impressive especially in the early years of its formation.

- a) Attendance was always at very senior cabinet level and therefore positions reached were easily defended at cabinet committees to effect the necessary changes. Further attendance from the private sector also had a lot of confidence because of the level of government attendance.
- b) A number of policies and regulations have been changed through the Forum. A number of laws have been reviewed and aligned with the changing business environment.
- c) Dialogue in itself has opened a window for presentation of issues without fear of political repercussions.
- d) The national budget has generally been influenced by the issues raised by the Forum.
- e) The taxation regime – both the Act and administration - have improved tremendously as a result of important issues being raised and discussed at PPD level.
- f) More than forty (40) laws have been reviewed, redrafted, amended and passed by parliament including the Companies Act. Some laws that require more consultations are still being worked on.
- g) Establishment of One Stop Service Center within the Malawi Investment and Trade Center



4- Expected Results

More results are expected from the forum activities. There are a number of investment and energy related laws that are being discussed. Government also developed and launched a National Export Strategy in 2012 and a number of actions are being discussed under different clusters within the strategy. Some of the key clusters are manufacturing, oil seeds, Access to markets, Skills and business development Services. These clusters have sub clusters and were carefully selected to lead the industry towards growth potential sectors. The development of such sectors require that as a country should create a conducive environment to develop an industrial base with great export potential.

5- Private Sector Growth Component

Private sector development has not been impressive despite the dialogue process. This is mainly on account of lack of long term investment in utilities and infrastructure as well as the slow pace of structural transformation of the economy from agricultural dominance to industrial dominance. However, the situation could have been worse without this dialogue process.

Challenges have always existed. Frequent changes of ministers of industry and Trade have meant that every minister has to start from scratch and sometimes some ministers do not unfortunately appreciate the PPD process as much as the others and even the reforms themselves. At other times the quality of the ministers has been questionable also.

The positive response of the government during the period in which the PPD Forum has been in existence was also due to the fact that the government was in minority and therefore needed support from the business constituency. The cost of doing business in Malawi still remains high as electricity and water remain the biggest challenges and these sectors need greatest attention. Efforts are underway but investments in these areas would also take time as well.

Biographies of Authors:

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Mr. Newton Kambala is a holder of BSc in Engineering and is currently the Chairman and Managing Director for Mkaka Construction since its establishment in 1993. Before 2000, he worked in different capacities as an Engineer with World Vision International, ESCOM as a Counterpart Engineer to Lahmeyer International GmbH on the Tedzani III Hydroelectric Power Scheme and University Of Malawi/The Polytechnic as a Lecturer. He serves as Director/Board member for a number of Companies in and outside Malawi. He is a Director of Malawi Savings Bank and a Council member and an Executive member of the Malawi Institution of Engineers.

Chancellor Kaferapanjira, Chief Executive Officer, Malawi Confederation of Chambers of Commerce and Industry.

Chancellor Kaferapanjira holds an MSc (Economic Management & Policy), an MSc (Strategic Management), and a Bachelor of Commerce(Business Administration). He is a member of the Economics Association of Malawi..

Chancellor Kaferapanjira was a Deputy General Manager of then Malawi Investment Promotion Agency (now, Malawi Investment and Trade Centre) before joining MCCI in January 2003. Upon graduating from University of Malawi in 1990, he had worked with Southern Bottlers (a Coca cola franchise), KPMG, and NICO Limited before joining Malawi Investment Promotion Agency. Mr Kaferapanjira has served and continues to serve on a number of private companies and public agencies boards